

Review

Budget 2011



BUDGET NOTES - PROPERTY TAX

Key points

The main rate of corporation tax will be reduced by an additional 1% to 26% from April 2011 and will continue to fall by 1% a year until 2014.

A number of SDLT anti-avoidance measures were announced, together with a change to the charge to SDLT on bulk purchases of residential property.

The planning system will be reformed.

REITs will be made easier to set up and more accessible to investors.

21 new Enterprise Zones will be introduced in England and discussions will be held with the devolved administrations about creating zones in Scotland, Wales and Northern Ireland.

Business Premises Renovation Allowances will be extended by five years to April 2017.

Corporation Tax

The main rate of corporation tax was due to be reduced from 28% to 27% from 1 April 2011 and 1% each year thereafter until it reached 24% in 2014/15. Now the Chancellor has announced an additional 1% cut so that the main rate of corporation tax will be 26% from April 2011 and will fall to 23% by 2014.

Stamp duty land tax (SDLT)

Several changes to SDLT were announced. If the buyer chooses, the rate of SDLT charged on purchases of multiple residential properties from the same seller will be determined by the average value of the dwellings purchased (subject to a minimum rate of 1%). Currently, SDLT is charged on the aggregate purchase price for all the properties, which can result in higher rates of SDLT being paid.

A number of SDLT anti-avoidance provisions were also announced as coming into force from tonight. They are primarily aimed at the use of alternative finance structures and exchanges of property to avoid or reduce SDLT.

Planning

The Government has said it will reform the planning regime. These reforms will include streamlining the system for planning applications, which will include a 12-month guarantee for the processing of all planning applications, including any appeals, and introducing a new fast-track planning process for major infrastructure. In addition there will be a presumption in favour of sustainable development and the introduction of what has been described as a "land auction model" for planning, starting with public sector land.

Miscellaneous

The Government has announced that it wants to make Real Estate Investment Trusts (REITS) easier to set up and more accessible to investors but we do not yet have the detail on these proposals.

The Government has also announced that it intends to abolish land remediation relief for contaminated land at some point after 2012 following a consultation.

Regeneration: Enterprise Zones and Business Premises Renovation Allowances

As predicted, the Chancellor has announced that he will establish up to 21 new Enterprise Zones in England and that there will be discussions with the devolved administrations about creating zones in Scotland, Wales and Northern Ireland. The intention is that the zones will benefit from reduced business rates and simplified planning rules. Further consideration is being given to the availability of enhanced capital allowances for manufacturing in the zones and to the use of tax increment financing. It was announced today that ten zones will be in the following LEP regions: Birmingham and Solihull; Leeds City Region; Sheffield City Region; Liverpool City Region; Greater Manchester; West of England; Tees Valley; North Eastern; the Black Country; and Derby, Derbyshire, Nottingham and Nottinghamshire and one to be located in London.

In a surprising move the Chancellor also announced an extension to Business Premises Renovation Allowances (BPRA). BPRA was due to expire in April 2012 and was not recommended to be retained by the Office of Tax Simplification because, while it served a useful purpose, it did not have a large enough take-up. Instead of allowing BPRA to lapse, the Government will seek to extend the relief for an additional five years until April 2017.

BPRA is a useful relief aimed at encouraging urban regeneration and many people are still unaware of its benefits. Squire Sanders Hammonds has advised on a significant number of property transactions designed to maximise the availability of BPRA.

For more information about the Budget, please contact:

Jon Stevens

Partner

E: jon.stevens@ssd.com

Mark Simpson

Partner

E: mark.simpson@ssd.com

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